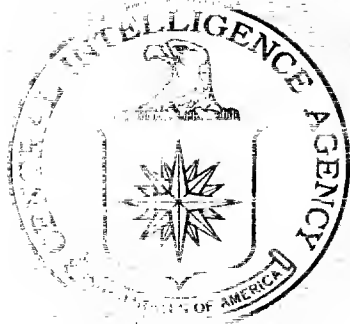


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24 October 1966

No. 0396/66
Copy No. 148

INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(17 October - 23 October 1966)

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I. POLITICAL SITUATION

Premier Ky left for the Manila summit conference with his smoldering cabinet crisis temporarily resolved. However, when he returns in the middle of the week, he will be forced to decide whether or not to accept the resignations of the four of the seven dissident southern-oriented ministers who chose not to withdraw their requests. Moreover, the cause of the crisis has not been alleviated and, if some concessions are not made to the growing number of disaffected southerners, Ky might be faced with resignations from the constituent assembly.

The constituent assembly deputies completed the drafting of the rules of procedure and should elect their permanent officers this week. As a result of an apparently deliberate effort by the moderate leader of the Buddhist Institute, the special congress of the Unified Buddhist Association was dissolved after three stormy sessions without accomplishing anything. In the central highlands, 250 dissident montagnard tribesmen pledged their allegiance to the GVN in the first phase of a return of the FULRO forces.

Cabinet Crisis

1. Premier Ky has temporarily patched up the rift in his cabinet on the eve of the seven-nation Manila summit conference. On the morning of 20 October, Ky held a meeting with six of the seven disaffected cabinet ministers and, in a last ditch appeal, persuaded them not to leave their jobs until after the conference. He followed up the meeting with a press conference, announcing to the public that his civilian deputy premier, one of the most influential of the dissident ministers, would act as the head of government in his absence.

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2. However, the seventh dissident, Minister of Economy Thanh, who was originally scheduled to accompany Ky to Manila, appears definitely to be out of the government with his resignation reportedly accepted by Ky. Two of the dissidents, Transportation Secretary Thuan and Labor Secretary Hung, the only nonsoutherner in the group, have reportedly agreed to withdraw their resignations.

3. Vo Long Trieu, the youth secretary and the firebrand among the resignation group, reportedly also considers himself out of the government line-up, even though he has agreed to support Ky for the sake of appearances until the conference is over. Although the catalyst that triggered the dissension was police director Loan's arbitrary detention of a southern subcabinet official, it was Trieu who took up the challenge and inspired the other southerners to support him. Shortly after the original resignations were submitted on 2 October, Trieu was personally threatened by Loan. The resultant sharp personality conflict between the two has substantially hindered any resolution of the crisis. The status of the remaining three ministers will probably not be finally settled until after the Manila conference. [REDACTED]

[REDACTED] Ky and most of the other military members of the ruling Directorate favor replacing the ministers, possibly with other southerners.

4. The squabble is by no means solved, however. Ky has not fully assuaged southern resentment by acceding to their original demands for an end to the alleged "police state" methods employed by Loan. Unless Ky proves willing to permanently temper Loan's aggressiveness, southern and civilian pressures against Ky, Loan, and the rest of the northern-oriented inner circle of the ruling oligarchy will probably build up again.

Constituent Assembly Developments

5. The constituent assembly delegates finally approved the rules of procedure that will govern the remainder of their meetings. It now appears that

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the election of permanent assembly officers will take place this week. One of the more controversial rules that had been approved earlier in regard to the purpose of the assembly was reconsidered on 21 October. The final version of that rule, as approved again after a lengthy debate, reads that the "chief responsibility of the constituent assembly is to draft and approve a constitution." This version is considerably milder than had been hoped for by some of the delegates, who envisioned broader powers for the assembly.

6. During the past few days, the delegates have approved, in principle, the formation of formal blocs in the assembly. Each bloc must have at least 12 deputies, and no deputy may be a member of more than one bloc. The assembly has also approved the establishment of four permanent committees: constitution drafting, information and press, budget and finance, and "people's aspirations." The latter committee is to survey popular opinion regarding the form the constitution should take. The press and information committee will apparently attempt to improve the assembly's image, which has been somewhat poor to date, in the Vietnamese press. The assembly has also officially certified the credentials of 111 of the 117 deputies, with the remainder apparently still awaiting court rulings on charges of election irregularities.

Special Buddhist National Congress

7. After a series of disorderly sessions held on 21 and 22 October, the extraordinary congress of the Unified Buddhist Association was dissolved before the representatives could even agree on an agenda. It is not known whether subsequent meetings will be held this week, but it appears doubtful. The sessions were marked by lively arguments and disruptive political tactics; at one point, shots were fired into the air by plainclothes security police in an attempt to quell the disturbance.

8. The disruptive tactics, which included demonstrators with placards denouncing the congress,

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appear to have been part of a deliberate plan by moderate Institute chairman Thich Tam Chau and his followers to keep the militants from choosing another chairman and packing a new Institute council with their own monks. The former council, of which Tam Chau was chairman, resigned on 13 October, leaving the Buddhist hierarchy theoretically leaderless. The militant leader, Thich Tri Quang, reportedly did not attend any of the sessions. The militant-moderate schism has apparently been further widened and, according to the embassy, it is likely that Tam Chau will leave the Unified Buddhist Association, taking the northern Buddhists, the Cambodian Theravada Buddhists, and the remaining moderates with him.

Dissident Montagnards Pledge Loyalty to GVN

9. The first phase of the return to government control of the FULRO forces, the dissident tribal autonomy movement, was completed on 17 October at Pleiku city in Pleiku Province. However, only 250 of the estimated 7,000 tribesmen returned from their base in Cambodia to attend the ceremony. The rest, including their leader, Y B'Ham Enoul, are reportedly waiting word of how the first delegation was received before committing themselves further to the GVN.

10. According to US Embassy observers who attended the ceremony, the Vietnamese Government speakers missed the opportunity to improve the tenuous GVN-FULRO relationship, which had been outlined in a previous agreement. The speakers failed to mention the "four points" or the "special" demands on which the rapprochement had originally hinged. According to one US official, FULRO's attitude toward the GVN has softened somewhat because of increased pressures from Viet Cong and North Vietnamese military forces operating in their base area.

II. REVOLUTIONARY DEVELOPMENT

Minister of Revolutionary Development, Major General Nguyen Duc Thang, while admitting to deficiencies in the program, claims that the Revolutionary Development Cadres have started to take hold in the provinces and that progress has been recorded. General Nguyen Loan, director general of the National Police, is confident of attaining the 1966 goal of a police force totalling 72,000 men, but US officials do not believe the goal is within reach. Chieu Hoi returnees total 477 for the week 13-19 October; this is the third consecutive week in which the defector count has registered a gain.

General Thang's Views on Revolutionary Development

1. The Minister of Revolutionary Development, (RD), Major General Nguyen Duc Thang, has made a personal plea to the Peoples-Army Council for a 40-percent increase in the RD budget. RD aid would total \$33.9 million in 1967 including Thang's request. Thang acknowledged that there has been a shortfall in the program, although progress has been recorded, and he has proposed reforms which are intended to correct deficiencies which have been uncovered.

2. He was particularly critical of the "new life hamlet program" which was designed to provide security from Viet Cong incursions and to create a "new life" for the peasant. Thang maintains that the latter goal of the program has not been successfully achieved and in his words, "has not provided a new life for the peoples in the hamlets." There has been no true social revolution, he asserted and "the Communists...have not been wiped out." Thang implied that government interference in the life of the peasants must be minimal and that hamlet residents should control their own programs. The Revolutionary Development Cadres, which he claims have started to take hold in the provinces,

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should act mainly as an "emotional bridge" between the peasant and the government, according to Thang.

National Police Manpower Status

3. It is probable that the government will fail in its efforts to bring the strength of the National Police to 72,000 by the end of this year. General Loan, director general of the National Police is, however, still optimistic about meeting the goal, which would require the recruitment of nearly 20,000 men. If it appears that the goal cannot be met, Loan will give priority to bringing the Police Field Force (PFF) segment of the National Police to its agreed-on strength of 8,500 (current strength about 5,000), and secondly bringing the resources control element to 11,000 men (current assigned strength 6,834). No priorities or goals were indicated by Loan for the Police Special Branch or other components of the National Police.

4. The National Police are conducting an intensive recruiting campaign throughout the country. Recruitment for the National Police has dropped off, however, partly because of the inability of the police to compete with the higher wages currently being paid in the civilian sector. The police have only recently been given authorization to dip into the pool of men in the draft age brackets (21-29 years). This may attract a number of men who will wish to avoid serving in the armed forces.

Viet Cong Defectors (Chieu Hoi)

5. For the week of 13-19 October, the number of returnees in the Chieu Hoi program totaled 477 (303 military), according to reports from 34 of the 44 provinces. This is an increase of 100 over the previous week, and marks the third consecutive week in which gains have been registered in the number of returnees. A breakdown by Corps of the returnee flow follows:

I Corps	23
II Corps	210
III Corps	81
IV Corps	163
	<hr/>
	477 (303 military)

6. The number of returnees for 1966 now totals 14,306, an average of 50 each day. Assuming continuation of the daily returnee rate at its present level, only about 75 percent of the 1966 goal of 22,500 returnees will be achieved. It should be noted, however, that the daily average rate of returnees has fluctuated considerably.

Additional Third Country Chieu Hoi Advisers

7. The final increment of 19 third country nationals, of a total of 45 hired as Chieu Hoi advisers, were scheduled to arrive in Saigon this week. The group will be given a five-day orientation period in Saigon, and then moved to the four USAID regional offices for further orientation and assignment. Present plans call for two of the 45 to be assigned at the national level, four at the regional level, with the balance being given provincial assignments.

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III. ECONOMIC SITUATION

The fourth US-GVN economic meeting, which was held on 5 October, focused on Mekong flood relief programs and congestion at the Saigon port. At the beginning of October, the Viet Cong were reported to be in control of most of the villages at Michelin's Dau Tieng Plantation in Binh Duong Province and of the remaining workers at Ben Cui Plantation in Tay Ninh Province.

Economic reporting from the provinces indicates that, in contrast to June and July when prices rose sharply throughout South Vietnam, prices in most provinces during August were either steady or slightly lower. Data on price movements for commodities, gold and currency during the week ending 17 October have not been received from the US Mission. Between 10 and 14 October retail prices in Saigon remained unchanged.

US/GVN Economic Discussions

1. On 5 October US and GVN officials held their fourth joint economic meeting. The major item of new business was Mekong flood relief programs. Water levels are receding rapidly in the five hardest hit provinces--An Giang, Chau Doc, Kien Tuong, Kien Phong and Dinh Tuong. Secretary of State for Social Welfare Lieng reviewed the activities of his department in providing disaster relief to victims of the current floods and expressed appreciation for US assistance. He requested US aid for building 100,000 wood floor houses on cement columns in order to avoid future destruction. Although US and other GVN officials displayed little enthusiasm for this scheme, primarily because of the costs involved, the US agreed to provide personnel for consultation on the plan and to continue US support for other flood relief programs. Lieng's proposal to buy rice in Saigon and transport it to

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flooded areas also was viewed negatively because of the inflationary impact such a measure would have on the cost of living in Saigon. The group discussed a program of reconstruction and development of flooded areas, including the immediate supply of seeds, water pumps, insecticides and fertilizer, and long-range plans for the planting season that begins next April.

2. As was the case at the first three joint economic meetings, the Saigon port problem was considered. GVN officials reported that the GVN National Police would take over responsibility for port security and that the Secretary of State for Finance had begun to sign "arretes" confiscating goods left in warehouses more than 30 days. Acting Minister of Economy Ton, however, continued to hold to resigned Minister of Economy Thanh's line that the major problem at the port is the inability of importers to find their goods. The US questioned GVN officials about the importers' complaint that they could not get sufficient credit to finance the removal of their goods from the port. GVN officials agreed to make a report at the next joint meeting on whether this is a real problem or merely an excuse used by importers to delay removal of their goods from the warehouses.

3. Meanwhile, USAID reports that importers, most of whom made large profits during the last year and a half, are becoming increasingly restive. Accustomed to an inflationary psychology, they are finding it difficult to readjust to the concept of normal mark-ups or even losses. As a result, the importers reportedly are placing pressure on the GVN to give them assistance, although it is not clear just what form this would take. There are rumors that the importers may go on strike and refuse to accept any more import licenses.

Situation at Two Major Rubber Plantations

4. At the beginning of October, the Viet Cong were reported in control of most of the 18 villages at Michelin's Dau Tieng Plantation in Binh Duong Province. Some local officials of the Federation of Plantation Workers (FPW)--an affiliate of the

National Confederation of Vietnamese Workers--were still residing in villages controlled by the Viet Cong. These officials, however, were not in touch with GVN authorities because they feared GVN accusations of having been sent by the Viet Cong.

5. [REDACTED] Michelin no longer maintains a French director at Dau Tieng. The plantation is supervised by a Michelin representative who flies to Dau Tieng three days a week. As a result, the quality of the latex is not controlled, effective tapping of the trees is not ensured, and new trees have not been planted for more than a year. Nevertheless, the plantation reportedly is producing about 60 percent of its normal latex output.

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6. Only about 350 workers--all closely controlled by the Viet Cong--reportedly remain at the Ben Cui Plantation of the Societe Indochinoise de Plantations d'Heveas in Tay Ninh Province. At the beginning of 1964 there were about 800 permanent employees at this plantation.

Regional Economic Situation in August

7. In contrast to June and July, when prices rose sharply throughout South Vietnam, prices in most provinces during August were either steady or slightly lower. Based on the appraisals of USAID provincial representatives, the embassy reports that economic conditions improved in 21 provinces, remained unchanged in 14 provinces, and deteriorated in 8 provinces. The level of Viet Cong economic activities was generally unchanged.

8. In Region I both prices and wages appeared to be levelling off largely because of the full restoration of the movement of goods which had been disrupted by the "struggle" movement in April and May. The supply of most basic consumer goods was adequate, and prices of these items were lower in several provinces. Construction materials, on the other hand, remained generally scarce. There were some indications that Viet Cong economic activity in Region I had tapered off. Although the Viet Cong remained active on transportation routes from Danang

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to Hue, movement of commodities by road was not seriously hampered. Similarly, the highway connecting Danang, Tam Ky, and Quang Ngai remained open to commercial traffic during most of the month, and the Viet Cong reportedly were unable to levy taxes on traffic moving on this road.

9. Prices were generally steady or slightly lower in most provinces of Region II. The major exceptions were Phu Bon and Lam Dong provinces where prices continued to rise as a result of Viet Cong interdiction of land routes. In addition, prices of imported commodities continued to rise in Ninh Thuan and Tuyen Duc provinces.

10. Although the cost of living remained high in most areas of Region III, the general pattern was one of stabilization of the prices of most commodities, especially foodstuffs. Exceptions to this pattern were noted in Binh Long and Phuoc Long provinces, where prices continued to rise as transportation routes remained blocked. Prices also continued to rise in Binh Tuy Province as a result of a significant increase in Viet Cong taxation and interference with transportation.

11. In Region IV the prices of most staples held steady or declined slightly. A few provinces reported that retail trade had slowed down, which may indicate a general expectation of a further settling of prices. As in Region I, construction materials remained generally scarce and expensive. Viet Cong interference with transportation and other economic activities continued, but no significant developments were reported.

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